

Business Essentials for State Taxpayers (B.E.S.T.)

Operating a Business in Alabama: Business Privilege Tax

Rev. 08/26/2021



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B.E.S.T. Webinar Series Housekeeping Reminders



Everyone's lines are muted when entering the meeting. This is to prevent background noises from interrupting the presentation. Only the host is able to unmute someone.



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If you would like to ask a question about the presentation, please use the Q&A box to send a question to <u>the presenter</u> or a panelist. They will respond to your question(s) either during the presentation or at the end of the presentation.



At the end of the meeting, there will be a survey with (9) evaluation questions about the presentation. Your feedback is important to us, so please complete the survey after the webinar.

ALABAMA DEPARTMENT OF REVENUE



The information in this presentation is intended to be an overview. It is not a comprehensive explanation of all aspects of the subject matter, does not represent legal advice, and is not legally binding on the Department. Information regarding taxes and tax administration changes frequently and should always be confirmed through a tax professional.

Please refer to the Alabama Department of Revenue website at https://revenue.alabama.gov/ for additional information.





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Purpose of this Webinar:

To inform Alabama taxpayers of the requirements and guidelines for filing Business Privilege Tax (BPT) in Alabama. This presentation will cover:

- Defining Business Privilege Tax
- Business Privilege Tax The More You Know...
- Business Privilege Tax Filing Information by Entity Type
- Penalties & Interest Due for Not Filing Properly





Defining Business Privilege Tax





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What is Business Privilege Tax?

A tax levied for the privilege of being organized under the laws of Alabama or doing business in Alabama.

Every:

- Corporation
- Limited Liability Entity (LLE)
- Disregarded Entity
- Business Trust
- Real Estate Investment Trust

<u>doing business</u> in Alabama, or is <u>qualified</u>, or <u>registered</u> under the laws of Alabama.





Who is **Not** Required to File Business Privilege Tax?

- Sole Proprietors
- General Partnerships
- Companies that have not qualified to do business in Alabama with only an investment interest in companies doing business in Alabama
- Qualified Nonprofit Organizations





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Business Privilege Tax The More You Know...





Business Privilege Tax – the more you know...

- Business Privilege Tax (BPT) is filed annually, plus the initial return (BPT-IN) which is due 2½ months after being organized, incorporated, qualified, or registered with the Alabama Secretary of State.
- The tax is based on the net worth of the company, not the income.
- The minimum tax due is \$100.00. (Plus, a \$10 Secretary of State fee for Corporations.)
- BPT can be filed through My Alabama Taxes (<u>myalabamataxes.alabama.gov/</u>) or through an approved software vendor (E-Filed).





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Business Privilege Tax – the more you know...

- When filing, use the form with the year that you are filing in. For example, if filing a return in April 2022 use the 2022 BPT form even though you are using information from the previous year end.
- BPT does not have a "final" return. Taxpayers must <u>dissolve/withdraw</u> the business with the Secretary of State for the account to be "closed."
- If the taxpayer never "uses" or "opens" the business, the BPT is still owed until the taxpayer dissolves or withdraws the business.





Business Privilege Tax – the more you know...

- Copies of the Federal Tax Return must be attached for partnerships and corporations or use the Department's form BPT-NW (*Balance Sheet Net Worth Computation for Form CPT and PPT*).
- A copy of the balance sheet used to compute the taxpayer's net worth must be attached for single member LLCs. If not provided with the copy of the Federal Tax Return, use the Department's form BPT-NWI (Balance Sheet Net Worth Computation for Disregarded Entities with Individual Single Member Only).





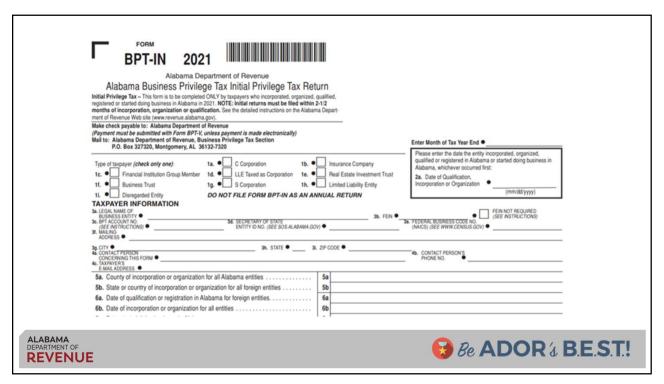
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Business Privilege Tax Filing Information by Entity Type





Who Must File by Entity	Alabama Document(s) to File	When to File
All entities listed below	Form BPT-IN	Within 2 ½ months after being organized, incorporated, qualified or registered
 C Corporation LLE taxed as a C Corporation 	Form CPT, Copy of Federal Income Tax Return, & Worksheet BPT-NW C Corporations must also file form AL-CAR	No later than the corresponding Federal Income Tax Return as required to be filed, as provided under federal law.
 S Corporation LLE taxed as a Sole Proprietor, Partnership, or S Corporation 	Form PPT, Copy of Federal Income Tax Return, & Worksheet BPT-NW or BPT-NWI S Corporations must also file form AL-CAR	No later than the corresponding Federal Income Tax Return as required to be filed, as provided under federal law.



CPT 2021 Alabama Department of Revenue Alabama Business Privilege Tax Return and Annual Report
1a ● ☐ Calendar Year (Taxable Year 2021 – determination period beginning and ending 12/31/2020) 1b ● ☐ Fiscal Year (Taxable Year 2021 – determination period beginning ● and ending € //2021) 1c ● ☐ Amended Return (Attach Supporting Documentation) ● ☐ 52/53 Week Filer Type of taxpayer (check only one): 2a ● ☐ C Corporation 2b ● ☐ Insurance Company (See definitions) 2c ● ☐ ILLE Taxed as Corporation 2d ● ☐ Financial Institution Group Member 2e ● ☐ Real Estate Investment Trust (REIT) 2f ● ☐ Business Trust TAXPAYER INFORMATION 3a LEGAL NAME OF ☐ BUSINESS ENTITY ● 3b STATE ● 3g ZIP CODE ● ☐ BUSINESS ENTITY ● ☐ SEE PASTRICTIONS) 3b CONTACT PERSON ☐ SECOND ● ☐ SEEDINGS SOOR NO. NAMES (SEE WWW CENSUS GOV) ● ☐ SECOND SOOR NO. NAMES (SEE WWW CENSUS GOV) ● ☐ SECOND SOOR NO. NAMES (SEE WWW CENSUS GOV) ● ☐ CONTACT PERSON ☐
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PPT 2021 Alabama Department of Revenue Alabama Business Privilege Tax Return and Annual Report

 1a ● Calendar Year (Taxable Year 2021 – determination period beginning
 and ending 12/31/2020)

 1b ● Fiscal Year (Taxable Year 2021 – determination period beginning ● and ending 12/31/2020)
 and ending 12/31/2020)

 1c ● Amended Return (Attach Supporting Documentation)
 1d ● 52/53 Week Filer

 Type of taxpayer (check only one):
 2a ● S Corporation

 2b ● Limited Liability Entity
 2c ● Disregarded Entity

 2d ● LLE taxed as S Corporation

 TAXPAYER INFORMATION 36 FEN ●

36 BPT ACCOUNT NO.
SEE ASTRUCTONS:
36 FEDERAL BUSINESS COOL NO.
37 CONTACT PERSON
PHONE NO. 3a LEGAL NAME OF BUSINESS ENTITY • 3c MALING ADDRESS • 30 CITY ●
31 CONTACT PERSON
CONCERNING THIS FORM ●
32 TAXPAYER'S
E-MAIL ADDRESS ● RETURN INFORMATION

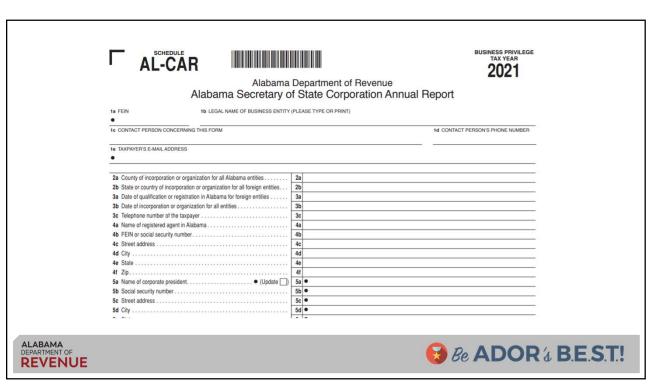
4a
Solution Of the Comparison Of the Comparis 5a Date of Incorporation or Organization 5b State of Incorporation or Organization 5c County of Incorporation or Organization COMPUTATION OF AMOUNT DUE OR REFUND DUE **Amount Due** 6 Secretary of State corporate annual report fee \$10 (corporations only)
7 Less: Annual report fee previously paid for the taxable year 7 ■ 8 Net annual report fee due (line 6 less line 7)..... ALABAMA DEPARTMENT OF Be ADOR & B.E.S.T.! **REVENUE**

Schedule AL-CAR

- This form must be completed by C Corporations and S Corporations.
- Limited Liability Entities taxed as corporations <u>are not</u> subject to the Secretary of State fee and <u>are not</u> required to complete Schedule AL-CAR.
- This form is a required attachment to Form CPT and PPT.
- Taxpayers filing an **initial return** <u>are not</u> required to complete Schedule AL-CAR or pay the \$10 Secretary of State fee.







BPT-NW 2021 Alabama Department of Revenue Balance Sheet - Net Worth Computation (FOR FORMS CPT AND PPT) 1c Determination Period End Date (Balance Sheet Date): 1a FEIN This worksheet is required to be completed to substantiate the net worth computation. This worksheet is for entities that are not required to complete a Schedule L on the federal Form 1120, 1065 and 1120S and disregarded entities that have as its single member a taxpayer that is not subject to Alabama business privilege tax (foreign business entities not doing business in the state of Alabama and not registered with the Alabama Secretary of State's office to do business in Alabama). Individual single member taxpayers should use Worksheet BPT-NWI. Beginning of tax year End of tax year 2a Trade notes and accounts receivable b Less allowance for bad debts. . 6 Other current assets (attach statement) 7 Loans to partners (or persons related to partners 10 Other investments (attach statement) ALABAMA DEPARTMENT OF 8e ADOR & B.E.S.T.! **REVENUE**

BPT-NWI BUSINESS PRIVILEGE TAX YEAR 2021 Alabama Department of Revenue Balance Sheet - Net Worth Computation (FOR DISREGARDED ENTITIES WITH INDIVIDUAL SINGLE MEMBER ONLY) 1c Determination Period End Date (Balance Sheet Date): The Worksheet BPT-NWI is available to be completed to substantiate the net worth computation for Form PPT. This worksheet is for disregarded entities that have as its single member an individual taxpayer-typically single member LLCs taxed as sole proprietorships. The balance sheet should agree with the disregarded entity's books and records. Attach a statement explaining any differences. Beginning of tax year Assets (b) (c) 2a Trade Notes and Accounts receivable b Less allowance for bad debts 5 Tax exempt securities 6 Other current assets (attach statement). 7a Loans to members (or persons related to members). b Mortgage and real estate loans. ALABAMA DEPARTMENT **№** ADOR & B.E.S.T.! **REVENUE**

Penalties and Interest Due for Not Filing Properly





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Penalties

- Failure to Timely File Penalty
 - 10% of tax due or \$50; whichever is greater
- Failure to Timely Pay Penalty
 - 1% of tax due per month; maximum 25% (e.g., income tax returns)
 - Flat rate of 10% of tax due for monthly and quarterly returns (e.g., sales, lodgings, or rental tax returns)
- **Negligence Penalty** (intentional disregard for rules and/or regulations) 5% of tax due
- Fraud Penalty (to purposely deceive) 50% of tax due

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Interest Due

- If the tax is not timely paid, interest is also due and, by law, cannot be waived.
- The rate of interest changes because it is the same rate as established by the U.S. Secretary of the Treasury under the authority of 26 U.S. Code § 6621.
- Current interest rates can be viewed at:
 https://revenue.alabama.gov/assessments/quarterly-interest-rates/



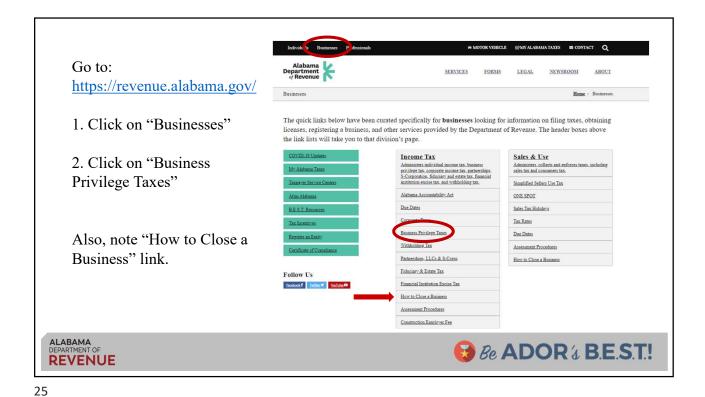


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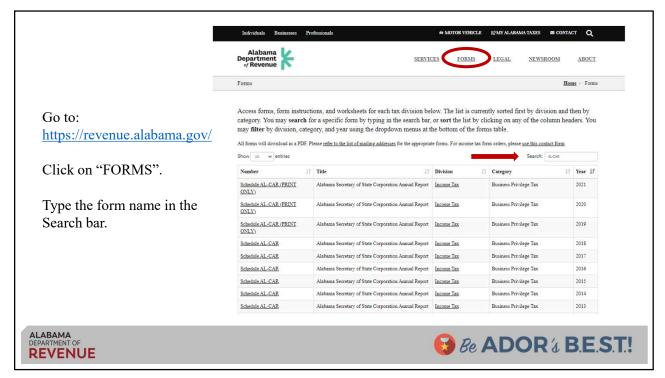
Helpful Links on ALDOR's Website











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Taxpayer Service Centers

The Alabama Department of Revenue has nine Taxpayer Service Centers located throughout the State to assist you. Contact information for the Service Centers can be found at:

https://revenue.alabama.gov/taxpayer-service-centers/





Alabama Department of Revenue Contact Numbers

(334) 242-1170 Option #1
 (334) 242-1170 Option #7
 (334) 242-1170 Option #6
 (334) 242-1170 Option #8
 (334) 242-1170 Option #8
 (334) 242-1170 Option #6
 (334) 242-1189
 (334) 242-1189
 (334) 242-1584
 Individual Income Tax
Withholding Tax
Corporate Tax
Pass-Through Entity
Certificate of Compliance
Business Registration

Sales and Use Tax

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• (334) 242-1490



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Questions?

Please use the Q&A feature in Webex to ask the presenter questions.

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Thank you for being ADOR's B.E.S.T.!

B.E.S.T. Webinar presentations can be found at

https://revenue.alabama.gov/taxpayer-advocacy/b-e-s-t-seminars/b-e-s-t-webinar-schedule/

Also available are B.E.S.T. Learning Modules at

https://revenue.alabama.gov/taxpayer-advocacy/b-e-s-t-seminars/watch-modules-online/



